



Is Private Label Peaking?

By Marshal Cohen, Chief Industry Advisor, The NPD Group

The private brand dynamic is a topic we've written about extensively over the past few years. Private brand is gaining dollar share in key general merchandise industries, representing nearly **one-third of U.S. sales in some industries**. In industries like office supplies, retailers have moved entire departments to their own private labels. But our research indicates that more private brands aren't necessarily the answer across apparel, food, technology, and other industries we track; retail may have reached an inflection point. How can retailers determine the right mix of private and national brands for the categories they play in, and what can brands do to ensure they remain part of the mix?

About The NPD Group, Inc.

NPD offers data, industry expertise, and prescriptive analytics to help our clients grow their businesses in a changing world. Over 2000 companies worldwide rely on us to help them measure, predict, and improve performance across all channels, including brick-and-mortar and e-commerce. We have offices in 27 cities worldwide, with operations spanning the Americas, Europe, and APAC. Practice areas include apparel, appliances, automotive, beauty, books, B2B technology, consumer technology, e-commerce, fashion accessories, food consumption, foodservice, footwear, home, juvenile products, media entertainment, mobile, office supplies, retail, sports, toys, travel retail, video games, and watches / jewelry.

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More Is Not More

Though we're living in an age of personalization where consumers expect options, too many choices can backfire. You may remember that famous [jam experiment](#) in 2000 where psychologists offered shoppers samples of 24 jam flavors on one day. On another day they were offered only six flavors. As it turned out, shoppers were more likely to purchase jam when presented with only six flavors. Research since has confirmed that more isn't always better for the customer or the retailer; too much product choice can dissuade consumers from purchasing, and if they do purchase, they're often less satisfied with their decision.

At NPD we've observed the same merchandising perception pattern arise in general merchandise categories like jeans. Having to choose between 10 different styles of jeans can be confusing to the consumer and may result in brand collision issues, with brands competing against each other and deterring a purchase altogether. In one case, a retailer carried only two big private brands in one category and achieved double the sales of a competitor's assortment of 30-plus brands. The most successful retailers are not necessarily the ones with the most brands; companies that understand brand interaction and get the assortment right will be rewarded.

There's No One-Size-Fits-All Formula

If we know having more private brands doesn't always lead to more sales, how can retailers determine the right mix of private and national brands in their assortments?

In the past, when examining category performance compared to the competition, retailers had to rely on the success of historical assortments to gauge what worked and what didn't. Today, our clients can use more scientific formulas to assess competitive assortment success. By collecting point-of-sale data at the store level, we can get a read on how retailer categories and brands perform against each other — without disclosing proprietary data. However, there is not one standard formula all brands can apply to their particular categories. We create a completely customized recipe for each retailer.

Case Study:

How We Determined a Retailer's Assortment Sweet Spot

A retailer wanted to determine how many brands it should carry in its sleepwear category. Looking at POS data on a store-by-store basis, we analyzed each store's category performance compared to that of competitors in nearby locations. Our analysis revealed stores with the highest sales volumes in sleepwear carried fewer than 25 brands. We determined the retailer's sweet spot was 15 to 20 brands, with the retailer's own private brand comprising one-quarter of the assortment. The retailer used this formula for its future planning to achieve the best growth trajectory.



More Brands Do Not Guarantee More Sales

Sleepwear Sales vs. Number of Sleepwear Brands

(Each Dot Is An Individual Store)



Source: The NPD Group/Analytic Solutions

Driving Category Growth in Stores

Using our store-level POS data, we can also create formulas to help manufacturers choose the best retailer partners. Understanding the optimal balance of national and private brands for specific retailers, manufacturers can equip themselves with scientific data to inform where they fit into a retailer's assortment — and how to compete in a saturated world. As they develop their own brands, manufacturers can use these formulas to understand:

- The importance of private vs. national brand in their partner's assortment
- How to make their brand stand out from the retailer's own private brands
- The product innovations and attributes that will help them achieve relevance in their retailer partner's assortments

Access to these formulas encourages manufacturers to collaborate with retailers to drive category growth in stores.

Making Stores More Powerful, Together

Though private label is growing, it may peak in the very near future. Consumers are overwhelmed by choice in this crowded market, and brands are fighting harder than ever for their attention. The formula for growth is no longer about adding more private label; rather, it's about recognizing the competitive dynamic between private brands and national brands in each category. For every category and every retailer, we can provide a customized formula that both manufacturers and retailers can use to achieve optimal sales. Based on POS data at the store level, this formula will look different for each retailer. Armed with these formulas, manufacturers and retailers can work together to make stores more powerful and profitable — so everyone wins.

Want More Insights?

To determine the right formula of private and national brands for your categories, or find out what your brand can do to remain part of the mix, call 866-444-1411 or email contactnpd@npd.com. To get more insights across your categories, visit npd.com or [subscribe](#) to our Insights newsletter, tailored to your industry and delivered to your inbox monthly.

